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C O N F I D E N T I A L SECTION 01 OF 05 PANAMA 001729

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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [PINR](#) [PM](#) [POL](#) [CHIEF](#)

SUBJECT: PANAMANIAN INSIDERS ACCUSE TORRIJOS GOVERNMENT OF
POOR PLANNING AND PUBLIC RELATIONS, PROCRASTINATION, AND
BAD POLITICAL JUDGMENT AS "PATRIA NUEVA" ENTERS ITS SECOND
YEAR IN OFFICE -- AN ANALYSIS. (PART 1)

REF: A. PANAMA 0277

[1](#)B. PANAMA 1377

[1](#)C. PANAMA 1423

[1](#)D. PANAMA 1496

[1](#)E. PANAMA 1184

[1](#)F. PANAMA 0629

[1](#)G. PANAMA 1645

[1](#)H. PANAMA 1613

[1](#)I. 04 PANAMA 2613

Classified By: Charge d'Affaires Luis Arreaga for reasons 1.4 (B) AND (D).

[1](#)1. (SBU) This message is the first in a three-part series on views of the Torrijos administration's performance as it approaches its September 1 first anniversary.

SUMMARY AND INTRODUCTION

[1](#)2. (C) Martin Torrijos's reform-minded, modernizing government -- "Patria Nueva" or New Homeland as it styles itself -- is in danger of losing its way and putting at risk its principal objectives -- such as social security reform, a referendum on Canal widening, ending official corruption, and concluding a U.S.-Panama Free Trade Agreement -- due to poor leadership at the top. A picture emerges from Embassy Political Section discussions with sharply critical government insiders and others close to the action: Torrijos dislikes public appearances, interviews, or confrontations; cannot focus on more than one thing at a time; has no plan for governing; habitually procrastinates; keeps his own counsel while his cabinet guesses his intentions; and has a political "tin ear." Panama's worst crisis under Torrijos so far -- in June over social security reform legislation -- is indicative of shortcomings in his style of leadership. After twice publicly refusing demands for a national dialogue on CSS, Torrijos received a shock when "old guard" elements within his ruling Democratic Revolutionary Party told him to back down or face a crumbling of presidential authority, according to Embassy contacts. In the unlikely worst case, Torrijos possibly would lose his ability to govern effectively, open a political space for leftist/populist electoral participation, lose a referendum on Canal widening, and permit former President Ernesto Perez Balladares to make a political comeback, all of which would harm U.S. interests. It is possible that the Torrijos government will learn from its mistakes. At the least, his government's first year, with a few exceptions, likely will be remembered for mediocre performance, dashed expectations, and squandered opportunities. END SUMMARY AND INTRODUCTION.

Great Expectations

[1](#)2. (C) The problem with Torrijos's performance and the record of his government as they enter their second year in power on September 1, 2005 is rather one of dashed expectations. The public, opinion makers, and insiders widely assume that the sky-high expectations that Torrijos created for himself and which swept him into the Presidential Palace will be unmet. The spreading impression is that Torrijos will fail, perhaps badly, at fulfilling the high standards and high hopes that he set for himself when he entered office and which he seemed uniquely placed to achieve.

Promises, Promises...

[1](#)3. (C) Torrijos and Patria Nueva came into office promising jobs and an end to official corruption. Torrijos said he would modernize the government, the infrastructure, bring Panama into the twenty-first century, and make it a "First World" country. After holding a constitutionally mandated referendum, the new administration would expand the Canal, a 10-to-20-year, multi-billion-dollar project that, official sources say, would create thousands of jobs and boost the economy. Along with the promise to eliminate official corruption came stated intentions to make the government more efficient by raising revenues and drastically cutting official debt and the government payroll. A new tourist

industry would be launched. Panama's transportation system would be upgraded and modernized. Also, Patria Nueva was to be a government with a social conscience that would reduce or eliminate poverty. Torrijos's approval ratings were close to 80% at the time of his inauguration.

Down, But Not Out?

14. (C) If those expectations were impossibly high, it was because Panamanian voters wanted to believe what Torrijos told them. In fairness, if Patria Nueva is underperforming, it probably is not notably worse than its predecessors. Torrijos has stumbled badly in his first year, with his approval ratings falling to just over 20% in June, following a month of strikes and public protests to the Social Security (CSS) reform law, he may yet recover. By mid-August they had improved to nearly 50%.

In Mitigation

15. (C) The Torrijos government does not suffer from lack of good intentions. In fairness, it already has several achievements under its belt, such as a constitutional reform, a not-quite implemented fiscal reform, continuing reductions in the government payroll, and a half-accomplished reform of CSS, now being re-negotiated, to put CSS on a sounder financial footing and save it from impending bankruptcy. It has also proved, on the whole, friendly, cooperative, and highly responsive to U.S. interests.

In mitigation of the critics, it can be argued that

-The young and inexperienced Torrijos team found getting things done much harder than it imagined

-Patria Nueva inherited a frankly bad fiscal situation from the previous government, a grotesquely swollen payroll, and a looming crunch in the social security system

-The Torrijos cabinet is notably less corrupt than its predecessors, at least so far, although the real opportunities for graft will come later with awarding Canal expansion contracts

-Torrijos and his inner circle say they are counting on a deliberate, considered approach to changing the Supreme Court, relying on making two new appointments by 2006, to avoid attacking the Court head-on and so risk undermining the state's legitimacy.

However, Martin Torrijos is proving himself to be a much less astute and skilled politician than Mireya Moscoso.

(We will expand the government's point of view and U.S. interests in the second message in this series.)

A Politician Who Dislikes Politics

16. (C) Torrijos's communication problems with his top officials have been so pronounced that insiders themselves are not sure whose advice Torrijos listens to or how Torrijos reaches decisions. They describe the president as shy and risk averse, an arch-procrastinator who continually waits for the "right" moment to take action on an issue or announce a decision taken weeks or months earlier, instead of taking the lead to mold public opinion and campaigning to create a more favorable political climate for himself. A member of the government has told POL Counselor that Torrijos has "a method of working that no one understands." Torrijos disdains the rough and tumble, the cajoling, the arm twisting, the shmoozing, the backroom bargaining sessions with opponents or antagonists that other politicians seem to relish. In fact, Torrijos often acts like a politician who dislikes politics.

Missed Opportunities

17. (C) As a result, as political consultant Jose Bandon, Sr. recently pointed out to POL Counselor, coordination problems abound, time passes, and opportunities are missed or bungled. People increasingly doubt not the president's good intentions but his political judgment, his talent as a political decision maker, and his skill as a politician. Procrastination -- on judicial reform promised in the campaign, on a government shakeup (which Torrijos first began to consider in April), the U.S.-Panama Free Trade Agreement (FTA) talks begun by the previous government (now suspended by mutual agreement) -- feeds on itself. The GOP's public relations incompetence has been "enormous." June would have been a good time for a government shakeup (which was first rumored in April), Bandon continued, but added that Torrijos probably would delay and procrastinate further. Delay also creates uncertainty and more reasons to continue to procrastinate. New, more difficult circumstances arise while projects remain undone, making them harder to accomplish. Government planning increasingly becomes prey to unforeseen events, the calendar gets more and more crowded as time passes, difficult decisions postponed become more difficult, and the "right" time to make a move recedes into the distance.

"He's Not Doing It"

18. (C) One example, Bandon, said, is the run-up in oil prices, which generally coincided with Panama's May-June social security crisis, and which continued through the summer. Bandon recalled that the Social security issue originally was on Torrijos's calendar for November 2004. Rising pump prices puts pressure on bus owners, who the GOP will not permit to raise fares (currently 25 cents) but instead must grant unsustainable subsidies. Torrijos's mishandling of CSS reform, Bandon said, his failure to consult, his post-crisis weakness left him short of political capital and in a more delicate situation vis-a-vis the bus owners and bus riders than before. The president himself must sit down with Panamanian business leaders, politicians, professionals but he is not doing it, Bandon said.

Energy Market Intervention

19. (C) In fact, he appears to be doing the opposite, as the GOP reportedly will announce new, interventionist energy policies on August 22, giving it the power to interfere in Panama's private energy market. The measures have been developed with minimal consultation with private companies and reflect the government's desperation to avoid a transport strike.

Relations With Venezuela, Cuba

110. (C) (Comment: Suddenly, improving relations with Venezuela and seeking a deal on fuel finance costs have become a GOP priority, as Torrijos needs to show he is doing all he can do to moderate fuel costs. Torrijos is programmed to visit Chavez in Caracas in several weeks and also to meet Chavez and Fidel Castro in Havana August 20-21. Although nobody can control the price of oil, one can speculate whether Torrijos would have had to make either of those trips had his internal political position been more secure. The high price of oil may yet complicate whether and to what extent Torrijos can get his way on CSS reform, which comes due in early October. See Reftel C, "Senior Panamanian Officials To Visit Caracas July 6 Seeking Oil Deal," PANAMA 1423 and Reftel D, "Panama-Venezuela Relations Stuck On Internal Security Concerns, High Oil Prices," PANAMA 1496.)

Delays And More Delays

111. (C) The Canal referendum, once penciled in for early 2005 now probably will not take place until mid-2006 at the earliest. The bilateral FTA, which Panama could have concluded in the fall of 2004, now looks increasingly awkward for 2005, given the government's sensitivity to political criticism in the wake of the anti-CSS reform strikes. Specifically, the GOP fears uniting its critics from sensitive agricultural sectors with radical trade unionists and other protesting CSS reforms, Trade Minister Alejandro Ferrer recently told POL and ECON Counselors (See Reftel G, "Panama Trade Minister Wants To Meet USTR On FTA; Timing A Dilemma," PANAMA 1645.) Since appointing a commission to study judicial reform in April 2005, at the height of public outcry at perceived abuses at the Supreme Court, Torrijos has said almost nothing about it, though he will be forced to react when the commission makes its report on September 10. (See Paras 14-17.) One month later, October 5, is the date that the National Dialogue on CSS reform ends.

A Secretive Autocrat?

112. (C) At the same time, Torrijos has a tendency to act in ways that seem secretive, autocratic or high-handed, as in the midnight passage of both the fiscal reform bill (January 31) and the (June 1) CSS reform law known locally as "el madrugonazo" (something done when people are asleep). (Note: See Reftel A, "Fiscal Reform Passes With A Grimace," PANAMA 0277 and Reftel B, "Panama President Bows To Labor Pressure But Not Low Enough To Suit His Opponents," PANAMA 1377) Those actions have unfortunate echoes to the times of Martin's dictator dad, Omar Torrijos, when Panama was a military dictatorship. In truth, U.S.-educated Martin Torrijos probably has nothing in common with his father's political outlook, though in some quarters his Democratic Revolutionary Party (PRD) still bears a fading stigma for being the party of the dictators.

In The Dead Of the Night

113. (C) With the PRD's clear majority in the Assembly, why push the (CSS) bill through at midnight? Presidential advisor Jorge Ritter said to POL Counselor recently. "It gives the

impression of doing something dirty and underhanded," Ritter said. Torrijos thought passage of the bill would end the strikes, but he miscalculated, Ritter said. Instead, Torrijos himself was forced to back down on granting permission for a national dialogue of social security reform, an idea he had twice pledged not to allow. See Reftel D and Reftel E, "Panama's CSS Reform Package Passes With Minor Changes," Panama 1184.)

No Action On Anti-Corruption

14. (C) In almost 12 months since taking office, the Torrijos administration has yet to try, let alone jail, anyone on a myriad of egregious, high-profile corruption cases left over from the 1999-2004 Moscoso administration, even though it was elected on a platform of "zero corruption." That and other evidence lends credence to charges that Torrijos has made a political "non-aggression pact" with the Panamenista Party of Mireya Moscoso, known as the "Pacto Ma-Mi" (Martin-Mireya) in local argot. The shameful spectacle of continuing official impunity past, present, and future, paints an ugly picture of Panama's rulers -- a parasitic political class that gives its members "Get Out Of Jail Free" cards, while alternating in power, with mutual and reciprocal permission to carve up state assets. Impunity corrodes the legitimacy of the Torrijos government and Panamanian democracy, critics say, and creates an opening for radicals and populists who will find ready audiences for their accusations.

Prados Del Este And Bolivar Pariente

15. (C) (Comment: The sole exception to the continuation of official impunity is the jailing of Bolivar Pariente, the former head of Banco Nacional de Panama, who was implicated in loan and other irregularities in the September 2004 Prados del Este scandal. The scandal -- which involved the allegedly illegal construction and financing of a housing development on a flood plain -- erupted shortly after Torrijos took power when a flood destroyed the neighborhood and left several dead. The reason Bolivar Pariente is in jail at all, cynics say, is that he made the Torrijos government look bad, by fleeing the country when he was called in for questioning, then trying to negotiate the terms of his surrender from abroad. Embassy had taken a sanguine view of Torrijos's efforts to change Panama's culture of official and non-official corruption but his continuing inaction has led us to reassess. See Reftel I, "Panama: Torrijos Government Gets Fast Start On Anti-Corruption," 04 PANAMA 2613. End Comment.)

Kicking The Can On The Supreme Court

16. (C) In recent discussions, Presidential Secretary for Goals and Planning Ibrahim Asvat (protect) told POL Counselor that the GOP has no strategy on what to do about the Supreme Court. The six-month compact with civil society groups to "solve" the Supreme Court issue ("State Pact for Justice" that expires on September 5, 2005) is simply an instance of "kicking the can." The Harvard-educated Asvat said he argued at a cabinet meeting (that included Jorge Ritter, Dani Kuzniecky, Jorge Snchez, Ubaldino Real, Hector Alemn, and Martin Torrijos) that asking the legislature to investigate Justice Arjona's accusations against Justices Oyos, Salas, and Spadafora probably would produce enough evidence and public outcry to make it possible to impeach them. (See Reftel F, "Panamanian Supreme Court Fracas Blurs Government Focus On Social Security Reform," Panama 0629.) The cabinet reached no conclusion, he said.

CEMIS Intrudes...

17. (C) The Supreme Court "crisis" thus represents a big opportunity for the GOP to firmly establish its anti-corruption credentials, Asvat continued. Asvat's impression was that the cabinet wanted to go easy on the Court because it was afraid of getting dragged down by the unresolved 2002 CEMIS scandal (possibly Panama's most notorious corruption scandal of recent memory) and did not want to motivate the Court to counter-investigate the legislature on CEMIS, which is now before the Court. The PRD probably took around \$900,000 in bribes on CEMIS, he said. (Note: That amount is within the ballpark of what has been widely assumed. End Note.) Asvat decried permitting NGOs and civil society to set the public agenda. The president should set the agenda, he said. (See Reftel G, Panama Attorney General Tests Torrijos Administration, Reopens CEMIS and Supreme Court Bribery Cases," PANAMA 0778.)

"Legacy" Issues

18. (C) Dani Kuzniecky, possibly the most idealistic member in a government of optimists, also is critical of the president. Although it is aware of its priorities, painfully so, he told POL Counselor in recent conversations, the government has no real plan to achieve them. (See Reftel H, "Panamanian Comptroller General Dani Kuzniecky Disenchanted With Torrijos, Mulls Calling It Quits," PANAMA 1613.) Kuzniecky said he keeps telling Torrijos that he must concentrate on five main "legacy" issues which are his and his alone and which only his direct intervention and participation can accomplish -- Tourism, Canal Modernization, Airport Expansion, Port Investment, and Jobs/Employment Creation. The president himself must take the lead on those issues and should ensure that they are done or are on their way to being done when he leaves office, Kuzniecky said, adding "I always remind him of that." Kuzniecky said he also always reminds Torrijos that he has a unique opportunity, perhaps not to be repeated, to accomplish great things in Panama and to really put the country on a new footing and path. The trouble is, Kuzniecky implied, it's just not happening...

Next Installments

19. (SBU) Part 2 of this message will present the government's views, review U.S. interests, and analyze more critical observations. Part 3 will provide a first-year score card on Panama's economic performance under the Torrijos administration.
ARREAGA